

Cabinet (Resources) Panel

28 March 2017

Report title	Residential Care Fees - cost rate increase	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Sandra Samuels Adults	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Linda Sanders – People	
Originating service	Commissioning	
Accountable employee(s)	Paul Smith Tel Email	Head of Commissioning 01902 555318 Paul.Smith@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board People Leadership team	14 March 2017 9 March 2017

Recommendations for action or decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve a revised cost rate for new and existing residential and nursing placements from 3 April 2017 in line with the increase in the National Living Wage (NLW) which becomes effective 1 April 2017 and the revised Retail Price Index (RPI) rate as of January 2017. The new proposed rates are:
 - Residential Care £404.04
 - Residential with dementia £454,44
 - Nursing Care £404.04
 - Nursing with dementia £454,44

1. Purpose

- 1.1 The purpose of this report is to set out the proposed increase for residential and nursing care rates paid by the City Council and to outline the methodology used to develop these new rates.

2. Background

- 2.1 Residential Care services deliver personal care and accommodation to people within a Care Quality Commission (CQC) registered setting.
- 2.2 During week commencing 05 February 2017 there were 584 individuals aged 65+ in receipt of a residential service and 272 individuals aged 65+ in a nursing home. In addition there were also 678 weeks short stay/respice care beds purchased in residential and 46 weeks purchased in nursing care.
- 2.3 The existing contracts are on a spot basis and this is essential as entry by residents into care homes is subject to legislation which allows individuals to enter a care home of their choosing "The Care and Support and Aftercare (Choice of Accommodation) Regulations 2014.
- 2.4 The Council requires a range of high quality residential and nursing beds within the city, but providers are incurring high vacancy levels for care workers and nursing staff.
- 2.5 A number of the Councils service users will require nursing care and will therefore be cared for in a registered nursing home. The Council does not fund the nursing element of an individual's care package. This is funded and paid directly by the NHS via the Free Nursing Care (FNC), currently £156.40 per week for 2016-17, this is excluded from the standard rates shown in the option tables below.
- 2.6 National intelligence and local provider forums tell us that the main challenges the market is experiencing are the recruitment and retention of staff into the care sector. There are several reasons for this, one of which is pay rates for care staff at, or just above National Living Wage (NLW)
- 2.7 Staffing represents on average 60% of costs for care providers and is therefore influenced by factors such as the current NLW and the ability of providers to recruit and retain staff at the hourly rates offered.
- 2.8 In addition, the RPI has recently increased to 1.6% (Office for National Statistics January 2017). This is the highest rate since July 2014 and adds additional expenses into the non-staff costs of a care home.

3.0 Methodology

- 3.1 Benchmarking data has been reviewed from the Black Country area to support the process. The table below outlines the benchmarking data received which indicates that all three areas are paying increased rates for both residential and nursing care with dementia, and that there is only a small difference between their base residential and nursing rates.

65+ Residential Care	£
Sandwell	398.21
Walsall	405.00
Dudley	408.83
Wolverhampton	394.94

65+ Residential Care with Dementia	£
Sandwell	448.21
Walsall	450.00
Dudley	444.38
Wolverhampton	447.86

65+ Nursing Care	£
Sandwell	401.80
Walsall	412.45
Dudley	408.83
Wolverhampton	386.82

65+ Nursing Care with Dementia	£
Sandwell	408.91
Walsall	412.45
Dudley	444.38
Wolverhampton	386.82

- 3.2 Information received from the Regional Older Peoples Commissioning Network indicates that local authorities are considering fee increases between 0-4%, with the average being 2.5% which includes provision for the NLW and some increase for cost of living. The City of Wolverhampton Council increase in fees is also based on a methodology that considers both the increase in the NLW and the increase in Retail Price Index. (RPI).
- 3.3 The methodology reflects the city council's intentions to support people, where ever possible, to live independently in their own homes, so that only those people with the most significant needs and dementia are supported in residential and nursing care. The benchmarking data indicates that the current rates for nursing care in Wolverhampton are below the regional average.
- 3.4 The NLW is a compulsory wage of £7.20 in 2016 for workers aged 25 and over, it will rise by £0.30p on 01 April 2017 to £7.50 per hour.
- 3.5 The NLW is intended to recognise the dignity of work and the importance for individuals, families and society of people being able to earn a living.
- 3.6 In residential care where the standard fee rate is paid, a recognised industry standard is that residents receive an average of 22 hours of care per week. This is based on the home

being staffed 24 hours per day, 365 days per year at staffing ratios required to meet the needs of residents.

3.7 The proposal in relation to NLW is that all providers who are paid the standard rate will receive an increase equivalent to £0.30 per hour for 22 hours per resident per week which is £6.60.

3.8 An increase per care package per week will assist with:

- A sustainable care and support market;
- Retention and recruitment of high quality staff;
- A reduction in staff turnover;
- An increase in care worker morale and reliability;
- Reduced absenteeism;
- Productivity improvements;
- Reputational benefits;
- For the Council, it means more money being spent on local employees in the local economy.

3.9 The recommendation is therefore to

- Apply both the NLW and RPI increase to the residential care home standard rate
- Apply the NLW rate only to residential care for people with dementia as the rate is already enhanced
- Bring the rate for nursing care in-line with residential care and then apply both the NLW and RPI increase to the standard nursing home rates
- Bring the rate for nursing care in-line with residential care and then apply the NLW only to nursing home for people with dementia as the rate is already enhanced

Category	Current Weekly Rate 2016-17 £	Proposed Weekly Rate 2017-18 £	Proposed Increase 2017-18 £	% increase
Residential 65+	394.94	404.04	9.10	2.3
Residential with Dementia	447.86	454.44	6.58	1.47
Nursing	386.72	404.04	17.32	4.47
Nursing with Dementia	386.72	454.44	67.72	17.5

3.10 Where the fee for an individual placement is based on an assessment of need and individualised staffing levels, the annual increase will be determined following an open book review and social work review of the placement. These are likely to be specialist services for younger adults with more complex needs.

4 Financial implications

- 4.1 Older People residential and nursing costs are funded from Older People care purchasing which has a net controllable budget of £15.8 million in 2016-17.
- 4.2 The recommendation being considered represents an estimated increase in costs of £746,000.
- 4.3 The 2017-18 budget includes growth of £1.1 million. This growth is to support the increase in costs associated with the NLW across all care support plans. The estimated increase in residential care fees is £746,000. In addition, there is an estimated increase in domiciliary care costs of £243,000 and an estimated increase in costs on direct payments of £152,000 which are subject to a separate report. This is a total estimated increase of £1.1 million.
[AJ/16032017/I]

5.0 Legal implications

- 5.1 The increase would ensure that providers are supported to meet their legal obligations to pay the increase in the NLW from 03 April 2017. The Care Act 2014 requires local authorities to support a sustainable local market. The implementation of a fee increase that supports local providers to meet the requirements of the NLW and cost of living increases falls within the remit of the Care Act 2014.
[TC/06032017/U]

6.0 Equalities implications

- 6.1 There are no equalities implications arising from this report.

7.0 Environmental implications

- 7.1 There are no environmental implications from this proposal.

8.0 Human resources implications

- 8.1 There are no human resources implications from this proposal.

9.0 Corporate landlord implications

- 9.1 There are no corporate landlord implications for the Council's property portfolio.

10.0 Schedule of Background papers

None